SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

ANNUAL REPORT

For The Year Ended
December 31, 1988

91-00247/

LETTER OF TRANSMITTAL

Regina, Saskatchewan.
March 23, 1989.

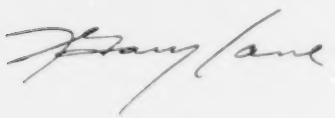
To The Honourable Sylvia Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan.

Madam:

I have the honour to submit herewith the annual reports of the Saskatchewan Development Fund Corporation and the Saskatchewan Development Fund for the year ended December 31, 1988, including the financial statements therefore, duly certified by Arscott & Partners, the corporation's external auditors and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Development Fund Act, 1974.

I have the honour to be, Madam,

Your obedient servant,



J. Gary Lane, Q.C.,
Minister Responsible,
Saskatchewan Development Fund Corporation.

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ANNUAL REPORT

OF

THE SASKATCHEWAN DEVELOPMENT FUND

CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 1988

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

BOARD OF DIRECTORS

Mr. Allan McDougall, F.C.S.I.,Chairman
Honourable J. Gary Lane, Q.C., Vice-Chairman
Mr. Nap Boutin
Mrs. Dale Duckworth
Mr. Terry Eddy
Mr. Howard Walrod

GENERAL MANAGER

Mr. W. B. Gibson

SECRETARY TO THE BOARD

Mr. I. D. Disbery

INVESTMENT MANAGEMENT

Investment Corporation of Saskatchewan

GENERAL INQUIRIES TELEPHONE NUMBERS

In Regina: (306) 787-1645
Toll free within Saskatchewan: 1-800-667-7543
Telecopier: (306) 787-8125

MAILING ADDRESS

P. O. Box 765
Regina, Saskatchewan
S4P 3A8

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

CHAIRMAN'S REPORT

The year 1988 was a quiet one for the Saskatchewan Development Fund Corporation with a few exceptions. As the trustee, custodian and manager of the Saskatchewan Development Fund, the Corporation continues to do its utmost in providing for improvements in service to our mutual fund shareholders as well as to our annuitants. Over the last several years, the Board of Directors has maintained a high priority for the delivery of quality service to our participants that has translated into improved efficiency in corporate operations as a whole. In addition, the Corporation entered into an agreement in 1988 with the new Investment Corporation of Saskatchewan whose job will be to act as investment counsel for the Saskatchewan Development Fund Corporation in its future investment activities.

The current year, from an investment perspective, was similar to the previous two years with its intermittent highs and lows. The effects of the financial events that occurred in October 1987 introduced a cautious atmosphere in the investment world in the first few months of 1988. Nonetheless, the Saskatchewan Development Fund share price moved ahead during the first part of the year to some of the highest levels the mutual fund has experienced. However, the share price retreated to its December 1987 level in the last quarter of 1988 as rising interest rates took their toll on the market value of the fixed income portfolio.

The present Board of Directors was appointed and met for the first time in early 1988. I look forward to continue working with each one of them in the future. I would also like to take this opportunity to thank the retired members of the Board of Directors who have contributed so much to the Saskatchewan Development Fund Corporation over the last several years.

Allan McDougall, F.C.S.I.

Chairman

Saskatchewan Development Fund Corporation

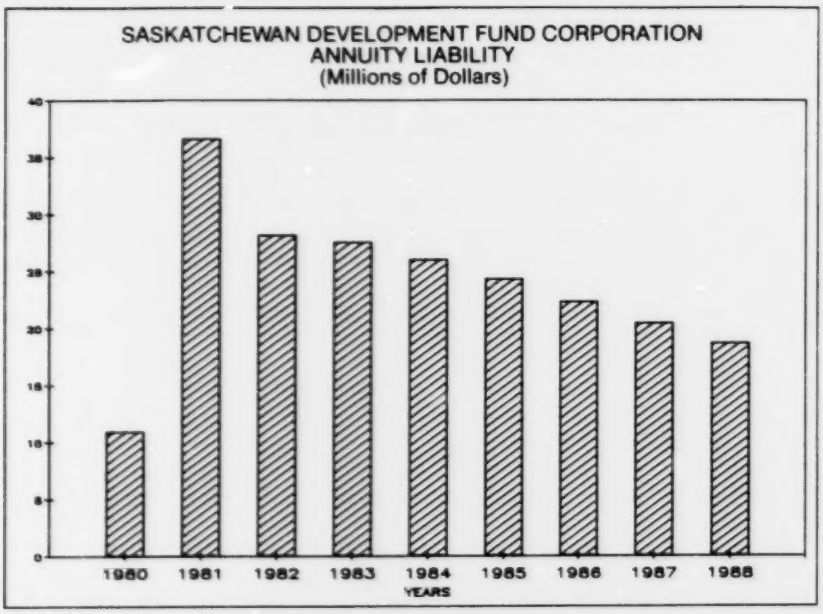
History and Current Highlights - 1988

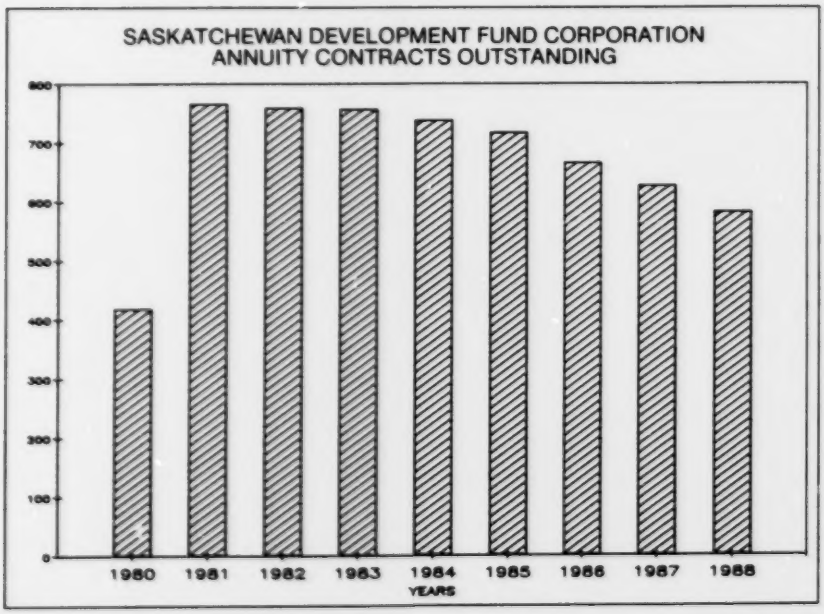
The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in turn received management fees and sales charges from the Fund in exchange for the Corporation's services.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those wishing to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those desiring an investment vehicle with combined savings and growth potential.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of the Crown Investments Corporation of Saskatchewan and is now administered by the Saskatchewan Development Fund Corporation's Board of Directors through the use of staff and facilities provided by the Crown Investments Corporation of Saskatchewan.

The Corporation reported net earnings in 1988 of $177 thousand compared to net earnings in 1987 of $333 thousand. Total assets in 1988 were $20.2 million compared to $22.2 million in 1987.


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY LIABILITY
(Millions of Dollars)
40
35
30
25
20
15
10
5
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
YEARS


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY CONTRACTS OUTSTANDING
800
700
600
500
400
300
200
100
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
YEARS

MANAGEMENT'S RESPONSIBILITY for FINANCIAL REPORTING in the ANNUAL REPORT

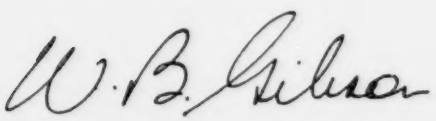
Management has prepared the financial statements of the Saskatchewan Development Fund Corporation in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Arscott & Partners, the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund Corporation.



W.B. Gibson,
General Manager.

AUDITORS' REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Development Fund Corporation as at 31 December 1988 and the statements of earnings and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at 31 December 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arscott & Partners

Regina, Saskatchewan
20 January 1989

Arscott & Partners,
Chartered Accountants.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	1988	1987
ASSETS		
Current Assets		
Cash	$ 55,115	$ 25,589
Short term deposits	916,282	1,705,770
Interest receivable	433,013	461,669
Due from Saskatchewan Development Fund	5,826	-
Current portion of loans receivable	855,624	651,360
	2,265,860	2,844,388
Loans receivable (Note 3)	9,417,900	10,367,372
Investments (Schedule)	8,485,868	8,962,653
Fixed assets (Note 4)	5,382	7,554
	$ 20,175,010	$ 22,181,967
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable	$ 12,369	$ 29,290
Due to Saskatchewan Development Fund	-	20,111
Dividend payable	-	332,778
Current portion of annuities payable	1,850,000	1,850,000
	1,862,369	2,232,179
Annuities payable (Note 5)	16,889,633	18,704,205
	18,752,002	20,936,384
Contingent liability (Note 6)		
Province of Saskatchewan's Equity		
Advances (Note 7)	1,150,000	1,150,000
Reinvested earnings	273,008	95,583
	1,423,008	1,245,583
	$ 20,175,010	$ 22,181,967

APPROVED ON BEHALF OF THE BOARD:

DIRECTOR

DIRECTOR

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF EARNINGS AND REINVESTED EARNINGS

Year ended December 31

	1988	1987
Revenue:		
Interest - loans	$ 1,430,903	$ 1,517,497
Interest - investments	1,175,563	1,295,654
Fund management (Note 8)	77,826	48,889
Gain on disposition of investments	22,110	204,271
	2,706,402	3,066,311
Expenses:		
Interest - annuities	2,415,588	2,632,532
Salaries and employee benefits	60,686	47,423
Administrative (Note 9)	52,703	53,578
	2,528,977	2,733,533
Net earnings	177,425	332,778
Reinvested earnings, beginning of year	95,583	95,583
	273,008	428,361
Dividend	-	332,778
Reinvested earnings, end of year	$ 273,008	$ 95,583

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31

	1988	1987
Cash provided by (used in) operating activities		
Net earnings	$ 177,425	$ 332,778
Add charges (credits) to operations not requiring a current cash payment:		
Amortization of discounts	(34,797)	(31,478)
Gain on disposition of investments	(22,110)	(204,271)
Depreciation	2,172	3,071
	122,690	100,100
Net change in non-cash working capital balances related to operations (Note 10)	(346,980)	8,787
Cash provided by (used in) operating activities	(224,290)	108,887
Cash provided by (used in) investment activities		
Purchase of investments	(206,213)	(2,164,510)
Proceeds from sale of investments	340,245	3,484,193
Collection of principal on mortgages	399,660	240,426
Cash provided by investment activities	533,692	1,560,109
Cash provided by (used in) financing activities		
Collection of loans receivable	745,208	660,873
Repayment of annuities	(1,814,572)	(1,847,803)
Repayment of equity advances	-	(347,175)
Dividend	-	(332,778)
Cash (used in) financing activities	(1,069,364)	(1,866,883)
Net decrease in cash during the year	(759,962)	(197,887)
Cash position*, beginning of year	1,731,359	1,929,246
Cash position*, end of year	$ 971,397	$ 1,731,359

* Cash position is comprised of cash and short term deposits

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1988

1. Significant Accounting Policies:

The Saskatchewan Development Fund Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments -

Short term deposits

Short term deposits are carried at cost. This valuation approximates their quoted market value.

Bonds and debentures

Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of $1,000 on the investment's purchase date are amortized to income on the straight-line method over the remaining life of the investment.

Shares

Investments in shares are carried at cost less write-downs for any permanent decline in value. Dividends are recognized as income on the ex-dividend date.

Mortgages

Mortgages are carried at amortized cost.

Fixed Assets -

Fixed assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred. Depreciation is provided on the diminishing balance basis at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

No depreciation is taken in the year of disposal. It is expected that these procedures will charge operations with the total cost of the assets less the estimated salvage value over their useful life. Gain or loss on the disposal of individual assets is recognized as income in the year of disposal.

2. Status of the Corporation:

The Saskatchewan Development Fund Corporation was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, the Corporation also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, the Corporation ceased to offer new annuities to the public.

The Corporation has been designated by Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

3. Loans Receivable:

	1988	1987
Loans receivable at various interest rates, repayable in equal monthly installments until maturity	$ 10,273,524	$ 11,018,732
Less current portion	855,624	651,360
Long-term portion of loans receivable	$ 9,417,900	$ 10,367,372

4. Fixed Assets:

	1988			1987
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and equipment	$ 8,293	$ 7,549	$ 744	$ 936
Computer equipment	13,507	8,869	4,638	6,618
	$ 21,800	$ 16,418	$ 5,382	$ 7,554

5. Annuities Payable:

	1988	1987
Annuities payable at various interest rates in monthly, quarterly, semi-annual and annual installments until maturity	$ 18,739,633	$ 20,554,205
Less current portion	1,850,000	1,850,000
	$ 16,889,633	$ 18,704,205

6. Contingent Liability:

The Saskatchewan Development Fund Act requires that the Corporation guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund upon redemption and the value of the shareholder's original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 1988 did not exceed the market value of any investment redeemed in the current year. Therefore the Corporation did not pay any amounts to the Saskatchewan Development Fund's shareholders in 1988 under this provision.

7. Advances:

These advances are non-interest bearing and repayable to the Crown Investments Corporation of Saskatchewan (CIC) at its discretion.

8. Management Fees:

The Corporation recovers the costs it incurs in the management of the Saskatchewan Development Fund (the Fund) by charging the Fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1 1/4% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

9. Lease Commitments:

The Corporation moved its offices to the premises of the Crown Investments Corporation of Saskatchewan (CIC) on May 15, 1985 and entered into a two year lease agreement with CIC which expired on May 15, 1987.

The lease renewed automatically on May 15, 1987 and continues on an annual basis at the option of the Corporation and CIC.

10. Net Change In Non-Cash Working Capital Balances Related To Operations:

	1988	1987
Decrease in interest receivable	$ 28,656	$ 61,574
Decrease in accounts payable	(16,921)	(16,950)
Increase (decrease) in due to Saskatchewan Development Fund	(25,937)	18,007
Decrease in dividend payable	(332,778)	(53,844)
	$ (346,980)	$ 8,787

11. Remuneration of Directors:

As at December 31, 1988, six persons (1987-four) served on the Corporation's Board of Directors. The Corporation's directors received $2,275 (1987-$540) from the Saskatchewan Development Fund Corporation in 1988.

12. Related Party Transactions:

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations and with which the Corporation is related.

Account balances resulting from these transactions are included in the statements of financial position and are settled on normal trading terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

SCHEDULE OF INVESTMENTS

December 31, 1988

Description	Rate	Maturity Date	1988 Market Value	1988 Amortized Cost	1987 Amortized Cost
Provincial and Municipal Bonds					
Saskatchewan	8.75%	Dec. 01/90	$ 964,500	$ 955,715	$ 932,524
B.C. Municipal Finance	10.25%	May 15/99	-	-	176,677
Nova Scotia Power	9.375%	Jan. 10/03	178,000	198,598	198,497
Ontario Hydro	10.375%	Jun. 16/98	196,750	200,000	-
Ontario Hydro	9.375%	Jan. 25/05	449,250	490,331	489,728
Ontario Hydro	10.00%	May 10/09	376,000	401,356	401,421
Prince Edward Island	10.625%	Apr. 18/04	254,800	250,000	250,000
			2,419,300	2,496,000	2,448,847
Corporate Debentures					
Avco Financial	10.75%	Apr. 02/91	196,500	201,499	202,151
Central Capital Corp.	9.00%	Dec. 31/90	241,499	244,927	242,577
Consumers' Gas	18.50%	Oct. 01/86-91	293,337	250,000	250,000
GW Utilities Limited	15.50%	Dec. 15/86-91	172,631	155,000	155,000
Inland Natural Gas	18.25%	Nov. 15/86-96	211,917	157,000	171,000
National Victoria & Grey	9.90%	Jul. 11/91	490,472	489,930	485,647
Nova, An Alta. Corp.	17.75%	Feb. 15/97	97,313	89,256	94,164
Pacific Northern Gas	18.00%	May 01/97	438,237	325,000	360,000
Royal Bank of Canada	11.55%	Oct. 06/92	514,757	501,583	502,004
Royal Trust	9.875%	Mar. 19/91	492,546	498,897	498,405
Royal Trust	9.90%	Jun. 29/92	438,753	447,564	446,869
Royal Trust	10.20%	Jun. 19/97	485,288	491,620	490,638
Sears Acceptance Co. Inc.	14.75%	Apr. 01/96	106,500	99,517	99,450
Sears Acceptance Co. Inc.	12.75%	June 15/00	330,439	302,000	327,000
Stelco	13.50%	Oct. 01/00	274,348	277,465	316,256
Traders Group	9.50%	June 15/91	94,375	95,079	91,842
West Coast Energy Inc.	12.25%	July 15/00	346,268	326,039	348,086
			$ 5,225,180	$ 4,952,376	$ 5,081,089

SCHEDULE OF INVESTMENTS (continued)

December 31, 1988

Description	Rate	Maturity Date	1988 Market Value	1988 Amortized Cost	1987 Amortized Cost
Mortgages					
Maritime Life Assurance	13.25%	May 01/90	$ 252,207	$ 246,308	$ 247,344
Metropolitan Trust	12.00%	Aug. 01/92	97,825	95,793	98,436
Metropolitan Trust	12.00%	Oct. 01/93	102,596	100,466	102,842
Metropolitan Trust	10.75%	June 01/88	-	-	99,662
Metropolitan Trust	10.75%	June 01/88	-	-	99,760
Metropolitan Trust	11.375%	June 01/89	275,093	276,178	282,480
Metropolitan Trust	11.375%	Nov. 01/94	-	-	185,342
Metropolitan Trust	11.855%	Dec. 01/91	315,369	312,534	315,072
			1,043,090	1,031,279	1,430,938
Shares					
Investment Corporation of Saskatchewan (100 Class A shares (1987-0))			100	100	-
Investment Corporation of Saskatchewan (6,113 Class B shares (I987-0))			6,113	6,113	-
Nu-West Group Limited (0 (1987-5,647) Special Common shares, Class A)			-	-	1,779
			6,213	6,213	1,779
Total all investments			$ 8,693,783	$ 8,485,868	$ 8,962,653

ANNUAL REPORT

OF

THE SASKATCHEWAN DEVELOPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 1988

THE SASKATCHEWAN DEVELOPMENT FUND

REPORT TO SHAREHOLDERS

1988

Saskatchewan Development Fund

History and Current Highlights - 1988

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund) under The Saskatchewan Development Fund Act. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered home ownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts.

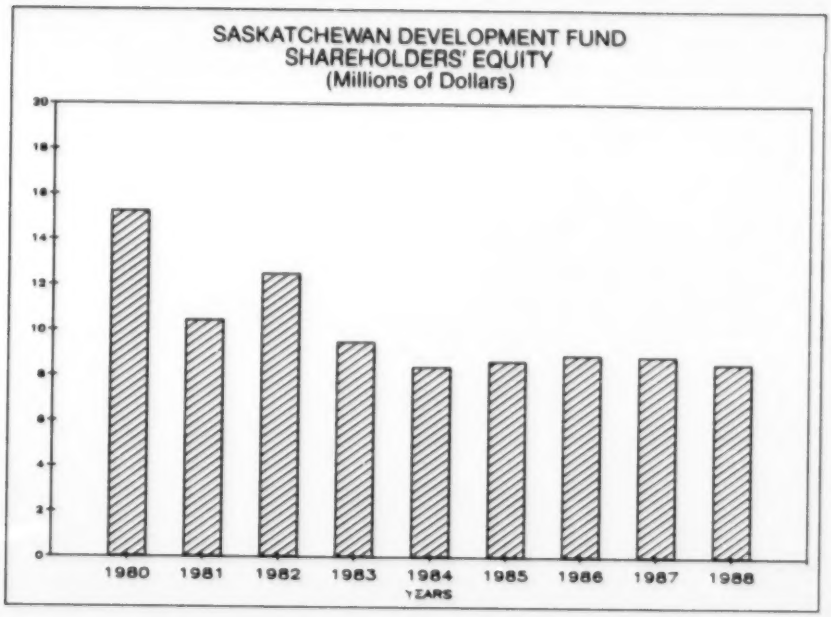
In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund.

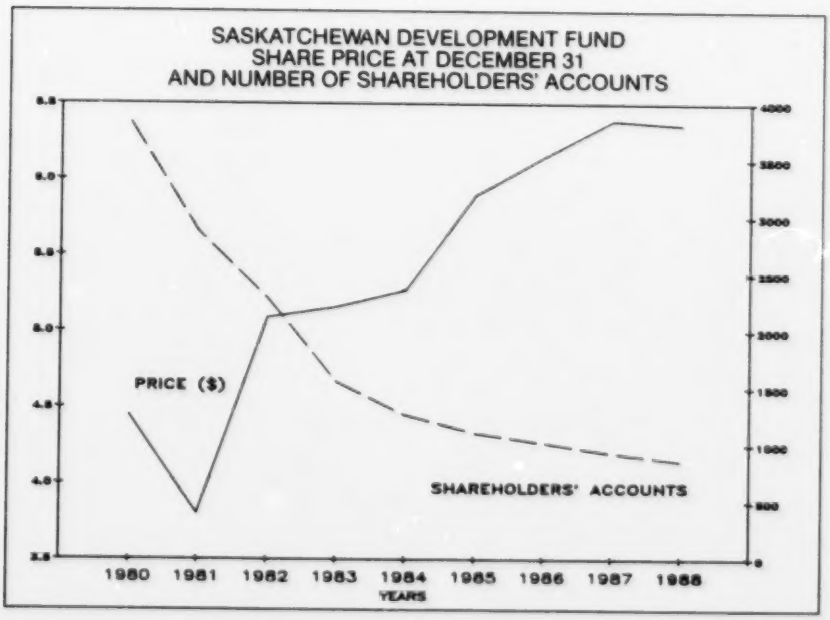
The Fund has been administered since its inception by the Saskatchewan Development Fund Corporation (the Corporation). The Corporation was created initially for this purpose only.

The Saskatchewan Development Fund experienced steady share value increases during the first quarter of 1988 climbing as high as $6.57 per share. Rising interest rates in the last six months of the year eroded the share value to $6.36 per share. Earnings per share distributed to shareholders in 1988 was 56 cents compared to 1987's 89 cents per share.

The net assets of the Mutual Fund at December 31, 1988 were distributed to shareholders by type of account as listed below. The 1987 comparative figures at December 31 are presented as well.

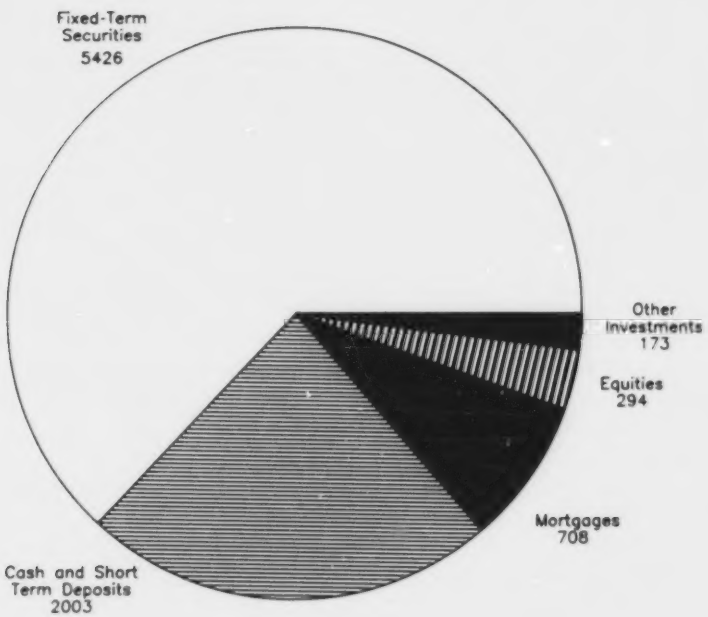
	1988		1987	
	Market Value	Number of Investors	Market Value	Number of Investors
Retirement Savings Plans	$ 6,758,523	529	$ 6,911,048	568
Regular Accounts	1,755,087	324	1,813,979	355
Deferred Profit Sharing Plans	46,620	2	140,440	4
Home Ownership Savings Plans	44,137	6	52,399	7
	$ 8,604,367	861	$ 8,917,866	934


SASKATCHEWAN DEVELOPMENT FUND
SHAREHOLDERS' EQUITY
(Millions of Dollars)
20
18
16
14
12
10
8
6
4
2
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
YEARS


SASKATCHEWAN DEVELOPMENT FUND
SHARE PRICE AT DECEMBER 31
AND NUMBER OF SHAREHOLDERS' ACCOUNTS
PRICE ($)
SHAREHOLDERS' ACCOUNTS
4000
3500
3000
2500
2000
1500
1000
500
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
YEARS

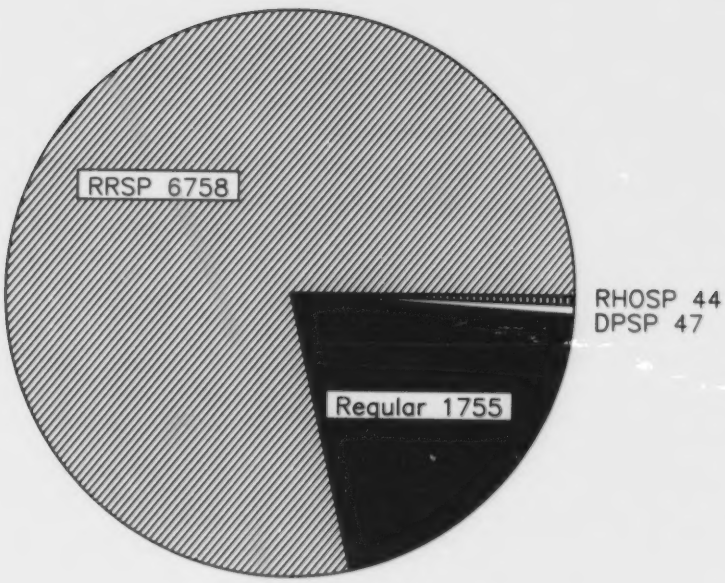
SASKATCHEWAN DEVELOPMENT FUND

Where the Funds Are Invested
(in thousands of dollars)



SASKATCHEWAN DEVELOPMENT FUND

Breakdown By Plan Type
(in thousands of dollars)



MANAGEMENT'S RESPONSIBILITY for FINANCIAL REPORTING in the ANNUAL REPORT

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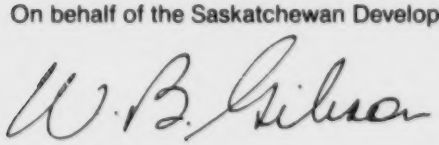
Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Fund maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Fund.

Arscott & Partners, the Fund's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund.



W.B. Gibson,
General Manager,
Saskatchewan Development Fund Corporation.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of assets and liabilities of the Saskatchewan Development Fund as at 31 December 1988 and the statements of earnings, change in net assets and realized gain on sale of investments for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Saskatchewan Development Fund as at 31 December 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arscott & Partners

Regina, Saskatchewan
20 January 1989

Arscott & Partners,
Chartered Accountants.

SASKATCHEWAN DEVELOPMENT FUND

STATEMENT OF ASSETS AND LIABILITIES

As at December 31

	1988	1987
ASSETS		
Investments at market value (Note 1 & Schedule)	$6,427,841	$ 7,947,786
Cash and short-term deposits	2,002,911	785,939
Interest receivable	191,802	166,054
Due from Saskatchewan Development Fund Corporation	-	20,111
	8,622,554	8,919,890
LIABILITIES		
Payable for shares of the Fund redeemed	12,361	2,024
Due to Saskatchewan Development Fund Corporation	5,826	-
	18,187	2,024
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY		
1,353,366 shares (1987-1,394,949 shares) (Notes 3 & 4)	$ 8,604,367	$ 8,917,866
NET ASSET VALUE PER SHARE	$ 6.36	$ 6.39

APPROVED ON BEHALF OF THE BOARD:

Director

Director

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

STATEMENTS OF CHANGE IN NET ASSETS AND REALIZED GAIN ON SALE OF INVESTMENTS

Year Ended December 31

	1988	1987
CHANGE IN NET ASSETS		
Net assets at beginning of year	$ 8,917,866	$ 8,965,279
Net earnings for the year	775,407	763,905
Net realized gain on sale of investments	-	517,393
	9,693,273	10,246,577
Less:		
Cost of shares redeemed	1,045,202	1,168,481
Net unrealized depreciation of investments	43,704	160,230
	1,088,906	1,328,711
Net assets at end of year	$ 8,604,367	$ 8,917,866
Net asset value per share	$ 6.36	$ 6.39
REALIZED GAIN ON SALE OF INVESTMENTS		
Proceeds from sale of investments	$ 9,000	$ 4,920,514
Cost of investments sold during the year*	9,000	4,403,121
Net realized gain on sale of investments	$ -	$ 517,393
*Cost of Investments Sold During The Year		
Cost of investments at beginning of year	$ 7,881,094	$ 5,789,974
Cost of investments purchased during the year	-	6,532,601
Collection of principal on mortgages	(1,467,241)	(38,360)
	6,413,853	12,284,215
Cost of investments at end of year	6,404,853	7,881,094
Cost of investments sold during the year	$ 9,000	$ 4,403,121

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

STATEMENT OF EARNINGS

Year Ended December 31

	1988	1987
Income:		
Interest	$ 843,392	$ 800,005
Dividends	12,500	15,875
	855,892	815,880
Expenses: (Note 7)		
Management fee (Note 8)	77,826	48,889
Other expenses	2,659	3,086
	80,485	51,975
Net earnings for the year	$ 775,407	$ 763,905

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 1988

1. Summary of accounting policies:

The following accounting policies are considered to be significant:

Valuation of investments -

The market value of the Saskatchewan Development Fund's investments is determined monthly as follows on the advice of the Investment Corporation of Saskatchewan:

a) Short term deposits are valued at cost. This valuation approximates their quoted market value.

Securities listed upon a recognized public stock exchange are valued at their closing price on the valuation date.

Securities not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Mortgages are valued at their net present value by discounting their stated rates of return to current required rates of return.

b) Securities not listed upon any exchange are valued in the same manner based upon any available public quotation in common use or at a price estimated to be the true value thereof.

Investment transactions and income -

Investment transactions are accounted for on the trade date. Interest income is accrued monthly and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated in accordance with the average cost method.

2. Status of the Fund:

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to the Saskatchewan Development Fund Act and is managed under the auspices of the Saskatchewan Development Fund Corporation which performs the duties of trustee, custodian and manager for the fund. On July 15, 1983, the Saskatchewan Development Fund discontinued the sale of new shares and became a "discontinued open-end" investment trust.

3. Taxation:

The Fund qualifies as a mutual fund trust under the Income Tax Act and is fully registered to administrate five types of equity accounts. These are registered retirement savings plans, registered home ownership savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

4. Shareholders' equity:

a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains (losses) on sale of investments and unrealized appreciation (depreciation) of investments.

b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of the Saskatchewan Development Fund Act and with respect to the taxation status of the shareholder's account. The Fund is now a "discontinued open-end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

5. Net asset value per share:

The net asset value per share as at the end of the last five completed financial years of the Saskatchewan Development Fund was as follows:

	Year ended December 31				
	1988	1987	1986	1985	1984
Net asset value per share	$ 6.36	$ 6.39	$ 6.15	$ 5.90	$ 5.27

6. Net earnings per share:

The following are the net earnings per share of the Saskatchewan Development Fund for the years indicated based on the average number of shares outstanding during the year:

	Year Ended December 31				
	1988	1987	1986	1985	1984
Net income per share (in cents)	56.4	89.4	81.7	52.8	54.6

7. Expense ratio:

The following is the ratio of all expenses of the Saskatchewan Development Fund expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the fund as at each valuation date of the fund.

	Year ended December 31				
	1988	1987	1986	1985	1984
Expense ratio	0.90%	0.56%	0.75%	1.01%	2.93%

8. Management fee:

The Saskatchewan Development Fund Corporation recovers the costs it incurs in the management of the Saskatchewan Development Fund by charging the fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1 1/4% of the net value of the assets of the fund or those corporate expenses directly attributable to the management of the fund on an annual basis.

SASKATCHEWAN DEVELOPMENT FUND

SCHEDULE OF INVESTMENTS

December 31, 1988

Description	Rate	Maturity Date	Cost	Market Value
Federal, Provincial and Municipal Bonds				
Canada	10.00%	May 01/02	$ 471,875	$ 453,750
Saskatchewan	9.00%	Feb. 01/02	843,184	832,675
City of Regina	11.25%	Oct. 31/95	391,566	390,805
			1,706,625	1,677,230
Corporate Debentures				
Bank of Nova Scotia	9.60%	Dec. 31/91	513,500	485,625
Canadian Utilities	12.00%	Oct. 15/07	500,000	531,875
Great West Life	12.75%	Nov. 15/93	500,000	535,615
Nova	11.95%	Oct. 01/07	495,500	510,625
Sask Wheat Pool	9.875%	Aug. 01/97	128,000	122,907
Xerox Financing	12.15%	Oct. 15/07	500,000	526,125
			2,637,000	2,712,772
Convertible Debentures				
Alberta Energy Corporation	7.25%	Sep. 30/03	500,000	415,000
Norcen Energy	6.00%	Dec. 15/06	250,000	306,250
Pacific Western Airlines	7.625%	Dec. 30/96	350,000	315,000
			1,100,000	1,036,250
Shares				
12,500 Laidlaw Convertible Preferred			250,000	293,750
Mortgages				
First City Trust	11.50%	Oct. 01/89	492,960	492,960
Morguard Trust	10.50%	Aug. 01/89	13,477	13,340
Morguard Trust	11.875%	May 01/92	204,791	201,539
			711,228	707,839
			$ 6,404,853	$ 6,427,841